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THE TOP 40
THE WORLD'S HIGHEST PAID ENTERTAINERS

OCTOBER 2 1989 THREE DOLLARS SEVENTY-FIVE CENTS

Forbes

THE ROLLING STONES' KEITH RICHARDS AND MICK JAGGER

WHAT'LL THEY DO WITH ALL THAT MONEY?

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Cover photo by John Stoddard

Forbes

80 *"Others are jealous"*

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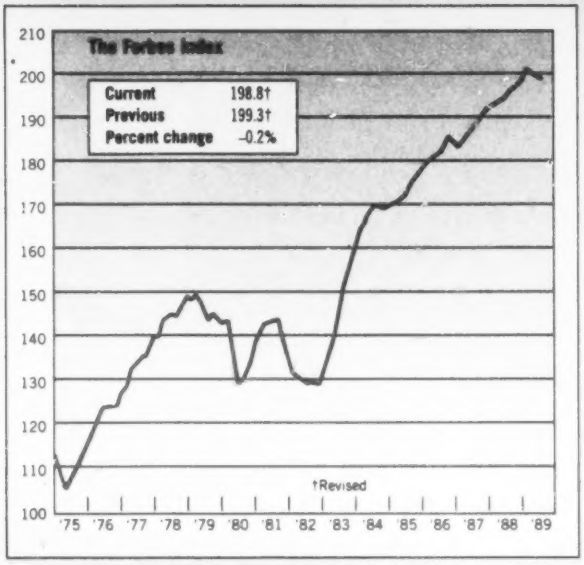
The Forbes Index



Slow but not stopped. The Forbes Index finished the month of July with a 0.2% decline. This marks the fifth monthly retreat for the Index, which has over the years proved to be a good economic indicator. But there is still some momentum in the economy: The revised figure for second-quarter gross national product shows real growth at a 2.7% annual rate, comfortably above the initial estimate of 1.7%. With a 1% jump in July, personal income recorded its biggest increase since January. Consumer installment credit dipped slightly in July, the first decline in more than two years. American consumers may finally be resisting credit card interest rates, still very high.

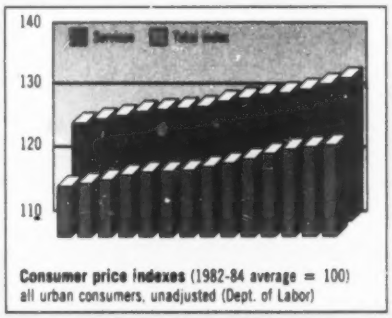
Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	10.5%
Auto sales[1] year to date vs. 1988	Ward's Automotive	-3.5%
Index of leading indicators July vs. June	Dept. of Commerce	0.2%
Trade balance last 12 months	Dept. of Commerce	-$113 bil
Producer price index[2] July vs. 1988	Dept. of Labor	5.0%
GNP 2nd quarter vs. 1st—annualized growth	Dept. of Commerce	2.7%

[1]U.S. based manufacturers only as of 8/31/89. [2]Finished goods.

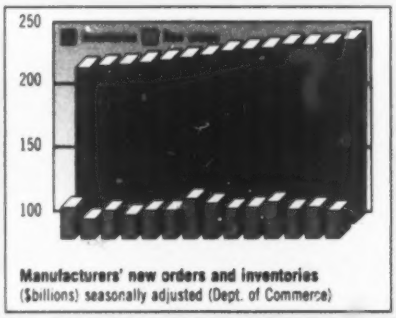
Index Components

The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, new housing starts, total retail sales, the level of new orders for durable goods compared with manufacturers' inventories, personal income, total consumer installment credit.

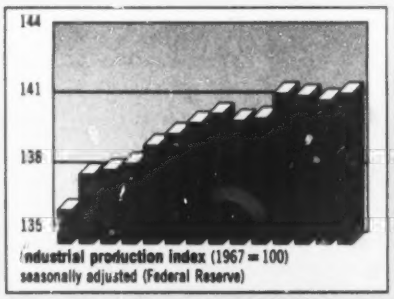
To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.



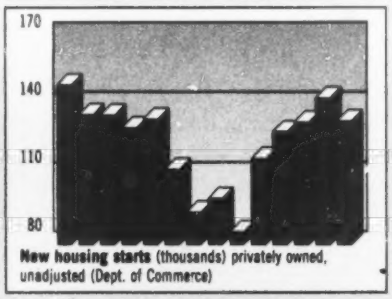
Consumer price indexes (1982-84 average = 100) all urban consumers, unadjusted (Dept. of Labor)



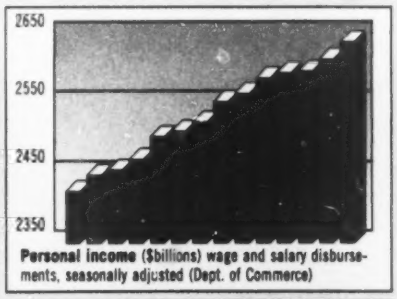
Manufacturers' new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



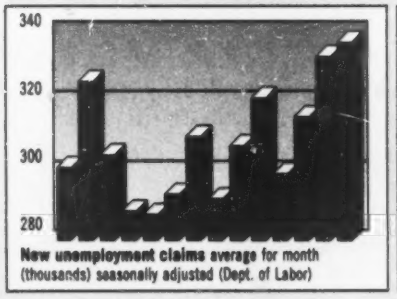
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)



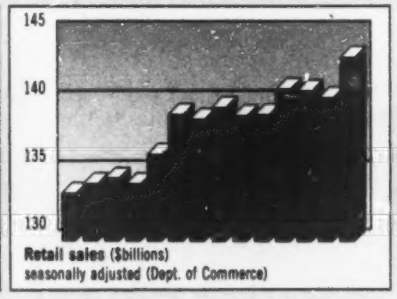
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



New unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)



Retail sales ($billions) seasonally adjusted (Dept. of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

Commercial banks, computers and other forms of competition are moving powerfully into the investment banking business. Could be bad news for Wall Street.

Tough new kid on the block

By Marcia Berss

MORGAN STANLEY sure looks like a cheap stock, at only 8.7 times earnings. Merrill Lynch and Bear, Stearns are trading at even lower multiples.

Maybe the stocks are bargains, maybe not. In evaluating a stock, investors look more at expected future earnings than current ones. In the case of the brokerage stocks, the market has some strong reasons for being skeptical about the future. New competition and technology are conspiring to take a big bite out of investment banking, the big moneymaker for Wall Street firms. Changes coming to this industry are good news for corporations that need to raise capital, good news for investors who buy their securities and bad news for the investment firms in the middle. Predicts John Tamagni, managing director at investment bank Lazard Frères: "You'll have fewer and poorer investment bankers around."

Investment banking—underwriting public stock and bond issues, privately placing securities and arranging mergers and acquisitions—is the principal source of profits for most securities firms today, according to Perrin Long at Lipper Analytical Services. He estimates that investment banking, with pretax margins of 35% and up, is supporting other activities like trading, where profits are razor-thin, and brokerage, which is languishing.

Now consider recent events:

- In June Wall Street lost a decade-long battle when the Federal Reserve gave commercial banks limited powers to underwrite corporate bonds, hitherto a protected preserve for investment bankers. One Fed member called the ruling a "milestone in the deregulation of the American financial system." The Fed, having found a loophole in the Glass-Steagall Act (the 1933 law that separates commercial banking from investment banking), is expected to extend commercial banks' underwriting privileges to stock underwritings in 1990.
- In April CapitaLink, a small firm loosely affiliated with J.P. Morgan & Co., announced a system for corporations to issue bonds directly to investors, bypassing the underwriter. CapitaLink's no-frills service will offer new-issue, public, high-grade bonds via a computer dutch auction; it will cost 0.2% of the money raised, less than a third of the commission an underwriter charges. Savings on a midsize $300 million debt deal: $1.3 million. CapitaLink's target market is

Doomsday for dealmakers?

Investment banking is a small portion of revenue of Wall Street firms but a large source of net income. Competition is coming to this lucrative business at a time when other lines, like retail trading, are languishing.

Company	Investment banking revenue contribution[1]	Latest 12 months EPS	Price	P/E
Bear, Stearns	19.9%	$2.02	16¼	8.0
Merrill Lynch	17.1	4.14	34⅛	8.3
Morgan Stanley	45.8	9.05	78⅞	8.7
PaineWebber	18.8	0.75	22⅞	30.5
Salomon Brothers	21.7	1.54	26⅞	17.5
Shearson Lehman Hutton	27.8	(0.03)	21¼	NM

[1]Investment banking revenue as fraction of total revenue, net of interest expense, for fiscal 1988.
NM: Not meaningful. *Source: Company reports.*

the $100 billion in high-grade new issues sold in 1988, 43% of all public corporate debt. The Morgan bank will begin marketing the system this fall.

Issuers are enthusiastic. Richard Culver, treasurer of Westinghouse Credit, says, "We think CapitaLink has a good deal of potential." So do investors: In April Metropolitan Life tried to cut out the middleman by buying an entire public debt deal direct from issuer Carolina Power & Light. Metropolitan ultimately abandoned the bid on a technical issue, but not before sending tremors through Wall Street.

• The Securities & Exchange Commission is expected shortly to approve a rule expanding private placements. In this market, companies sell securities (usually bonds) directly to an insurance company or pension manager. Corporations raising capital have, of late, discovered private placements in a big way. They now total $181 billion, or 40% of all corporate capital raised, against 22% of capital raised in 1980, according to IDD Information Services. Investment bankers are none too happy, since their fees for brokering such deals are well below those collected on public bond issues.

And their fees are about to get lower. This fall the SEC will probably relax disclosure requirements in the private market, making it even more attractive to issuers and buyers. This will eliminate red tape in simple private offerings and cut out the middleman banker. "The SEC knows we don't need them to tell us what financial information we need to make an investment decision," says Richard Yorks of Prudential Insurance, the nation's biggest holder of private placements, with $30 billion. As a result, "you may not need an investment banker to do these deals," says David Marks, senior vice president at Cigna Investment Group, another big private placement investor.

The fattest middlemen's margins are in the public underwriting of complex or riskier securities, including junk bonds and common stock. There the middleman's spread is 3% of the offering amount, up to 7% for initial public offerings. Commercial banks covet this business. The June Federal Reserve action permits commercial banks to underwrite corporate debt, provided they set up separate investment banking subsidiaries and limit underwriting to 5% of the unit's revenue. Four banks—Bankers Trust, Chase Manhattan, Citicorp and J.P. Morgan—are establishing such operations. The ruling is expected to be extended to more lucrative stock underwriting next year. As these banks, with the connivance of their regulators, push the outer limits of Glass-Steagall, they increase the pressure on Congress to repeal the law altogether.

In junk bond underwriting, commercial banks have a head start. They typically lend 60% of the financing in a leveraged buyout, and it's a short leap from analyzing the credit for a senior loan to analyzing the credit for the more junior debt. And it is the latter that is harder and thus more profitable to sell. Jerry Thompson, executive vice president at NCNB National Bank of North Carolina, was a senior lender in the recent RJR Nabisco buyout. Says he: "We feel like jerks when we put up most of the money in a deal and Mike Milken is making $500 million. We can find people to take on risky paper. They can't be hiding under rocks."

As Wall Street has already learned to do, commercial banks are starting to be equity players in takeover deals. In June commercial bank Bankers Trust raised eyebrows when it invested $80 million of equity in Alfred Checchi's $3.7 billion purchase of Northwest Airlines. The bank is also an equity player in James Goldsmith's $20 billion bid for B.A.T Industries. Commercial banks have long had the right to own up to 5% of voting stock in an industrial corporation (and up to 25% of shareholder equity). Only recently have they exercised this right. Often, they pick up equity kickers while arranging debt financing for a leveraged buyout.

In this invasion of underwriting and equity participation, commercial banks are attacking the bread and butter of investment bankers, mergers and acquisitions. At the top firms, 50% to 75% of investment banking earnings comes from merger work. Barry Friedberg, head of Merrill Lynch's investment banking group, says: "We perceive commercial banks to be a competitive force to be reckoned with."

Friedberg is being realistic: In the past Wall Street tended to sneer at banks as competitors in the merger business. There never was anything in Glass-Steagall to stop commercial banks from getting a piece of the action. All that stopped them was a perception that they were too clumsy. The buy-and-hold mindset of commercial bankers was supposedly no match for the risk-taking ethos of investment bankers; besides, argued Wall Street, commercial banks won't pay for talent.

They will now. In November Bankers Trust signed Gerald Rosenfeld, formerly of investment bank Salomon Brothers, to a reported $2 million-a-year, three-year contract. Another top investment banker says a commercial bank offered to top his seven-figure salary by 50%.

"Oct. 19 played to the advantage of commercial banks," notes Windle Priem of executive recruiter Korn Ferry International. Since the crash, mid-level investment banking salaries have been flat, while commercial bank pay is up. Among middle managers the investment bank salaries are still better, but the gap is narrowing. At entry level, the shift is even more dramatic. At Harvard's and Stanford's business schools, median starting salaries for graduates headed to a commercial bank now exceed those at investment banks, reversing a historic trend. Last year, Harvard grads started at $54,700 at commercial banks, $50,200 at investment banks.

It never happens overnight, but it happens inevitably: An abnormally profitable business attracts competition, and the profits shrink to more normal levels. No, the death knell of Wall Street is not sounding. But the glory days are fast coming to an end. ■

lar they put in, they got back around 2,000 zlotys. Chojna's investors took the zlotys in suitcases to the streets, where they exchanged them back into dollars on the black market. Even at the black market rate they ended with about twice as many dollars as they put in. Each transaction, round-trip, took a bit over two months, meaning that an investor could turn over five deals a year. They could and sometimes did make as much as a 2,000% return on their first investment. The year 1988 wasn't quite as good. They made less than 1,000% that year.

But things have gotten so dismal in Poland that even Chojna's business is going bad. The government no longer tries to maintain one official exchange rate, and the value of the zloty has been deteriorating rapidly. It was pegged at 6,000 to the dollar in June and at over 10,000 to the dollar in September. With prices rising at a 300% annual rate, a businessman has to move fast to make a profit. Chojna says he loses potential profits between the time he and a buyer agree on a price and the time he actually gets paid—a period of two months or more. If he figures his prices based on 10,000 zlotys for the dollar, the dollar may cost 12,000 zlotys or more by the time he gets paid. Hyperinflation is like that.

Meanwhile, others have gotten into the game. Competition has pushed down prices. Chojna can no longer mark his prices up by 300%. Polish companies are no longer willing to pay so much for a computer. They look for bargains. That's capitalism.

Chojna, a graduate of three faculties at the University of Warsaw, is one of the first of the new Polish capitalists. He employs about 25 people in real jobs, not in the kind of make-work paper-shuffling that passes as work in socialist economies. "Now there are thousands of similar companies in Warsaw alone competing with me," says Chojna. This year Chojna can offer investors a measly 50% annual return on their money. Soon, he knows, by the iron laws of free enterprise, the profit will vanish entirely.

But Chojna is not dismayed. He has become a sales agent for Western companies importing goods into Poland. Among his clients is Madag, a Swiss producer of knitting equipment. Chojna himself has started importing Western-made goods—anything from copiers and VCRs to knitting yarn—by the containerload, and selling them to Polish consumers for whatever currency they have.

Is what he is doing legal? At this point that is by no means clear. But even the government recognizes that getting goods into the country and providing jobs is more important than enforcing socialist orthodoxy.

As a capitalist, Chojna drives a new Volvo, and vacations in one of Poland's oldest ski resorts. Some of his fellow countrymen may resent him as a profiteer, but Chojna works a lot harder than most of them do. This year he may have to pass up his usual skiing vacation. "Now the situation in the market changes rapidly, and you may have a change in the profile of the business practically overnight," he says. "You have to be flexible."

Is Chojna giving up on his computer business? Not at all. Recently he introduced it to the Soviet Union. The business culture there, says Chojna, "is very much like it used to be in Poland in the early 1980s." ■

The Mexico debt deal may force our big banks to further boost reserves. The stock market will probably yawn.

What are they waiting for?

By Patrice Duggan

SEVEN OF AMERICA'S largest banks may soon take major hits in the form of further reserves against Latin American loans.

The banks' July agreement to reduce Mexico's foreign debt gives Mexico much-needed relief. But it values the Mexican loans at only 65 cents on the dollar.

Mexico is one of the best credit risks among Latin debtors. If Mexican paper is worth 65 cents on the dollar, Brazilian paper, to say nothing of Argentinean, should be worth less. The

David Burnett/Contact

Citicorp Chairman John Reed
Will he take the lead again?

major banks have already made massive additions to their loan loss reserves, but these cover only about 30 cents on the dollar. Many analysts suggest the banks should boost reserves to 50 cents for each dollar they have lent to less developed countries.

Officially, the banks are mum, but at least in one major U.S. bank, increased reserves are now being debated. Europeans have already made the move. British banks, for instance, recently upped their reserves to 50%.

Some banks may be waiting for Citicorp to make the first move. It was Citicorp Chairman John Reed who shook the banking world 2½ years ago when he announced that Citicorp was adding $3 billion to reserves against its $15 billion LDC loan portfolio. The move wiped out Citicorp's 1987 earnings. Will Reed once again take the lead? He isn't saying.

What do the big banks stand to lose? It varies. Increasing reserves against all Latin loans even to 35% would cost Manufacturers Hanover $900 million, Citicorp almost $500 million and Chemical $370 million. The other big U.S. banks already hold reserves of 30% or more.

What next?

To boost reserves to 50%, most banks would have to take a big hit.

U.S. banks with largest loans to developing nations	Loans ($bil)*	Loan-loss reserves†
Citicorp	$8.85	29%
BankAmerica	7.40	33
Manufacturers Hanover	6.80	22
Chase Manhattan	6.40	30
Chemical	4.60	27
JP Morgan	3.30	31
Bankers Trust	3.11	32

*Medium- and long-term loans as of 6/30/89. †As a percentage of those loans.
Source: Keefe, Bruyette & Woods, Inc

But the secondary market for Latin loans suggests that the banks should hold reserves of at least 50%. If the top seven U.S. money-center banks were to follow the Europeans and increase Latin reserves to that level, the impact on both earnings statements and capital would be severe.

However, the effect on the stock market might be modest on most banks. The market already discounts big bank stocks for foreign loan losses far higher than the banks have provided for. Thus, while the market has an average price-to-earnings ratio of 14, and price-to-book value of 2.8, Citicorp and Bankers Trust each have P/E ratios of 6 and price-to-book ratios of 1.2. "Banks' stocks have sold at notoriously low multiples for years, and part of it is exactly this Latin loan problem," says Drexel Burnham Lambert analyst Lawrence Cohn.

Just last month the Philippines reached a debt reduction package with its foreign banks. Other countries are pressing for similar concessions. It is probably only a matter of time before banks adjust their books accordingly. The stock market probably won't much care. Moreover, so far as capital adequacy is concerned, loan-loss reserves are counted as part of a bank's primary capital. So why haven't the banks acted already? In part because doing so might encourage debtor nations to demand further concessions. In part because of a natural human reluctance to face up to the consequences of mistakes.

Facts, however, are facts. ■

Ford romances Saab. General Motors dates Toyota. Chrysler plans a fling with Renault. Care to dance?

Make love, not war

By Jerry Flint

FROM MELBOURNE to Stockholm, from Tokyo to Detroit, auto companies are cruising for partners. Today's steamiest mating dances are in Europe, the latest being Saab-Scania's overtures to attract an equity investment from Ford. Saab is losing money in its car business. Ford wants to strengthen its higher-priced car lines and get a piece of the successful Scania truck line.

Several automakers have made passes at Britain's luxurious Jaguar, and they may again if the British government gives a signal that Jaguar is up for grabs. Then, of course, there is Fiat, which last year swooped up Alfa Romeo to keep the sporty little Italian carmaker out of Ford's clutches. Now Fiat flirts with Chrysler, the only U.S. car company without a major subsidiary in Europe.

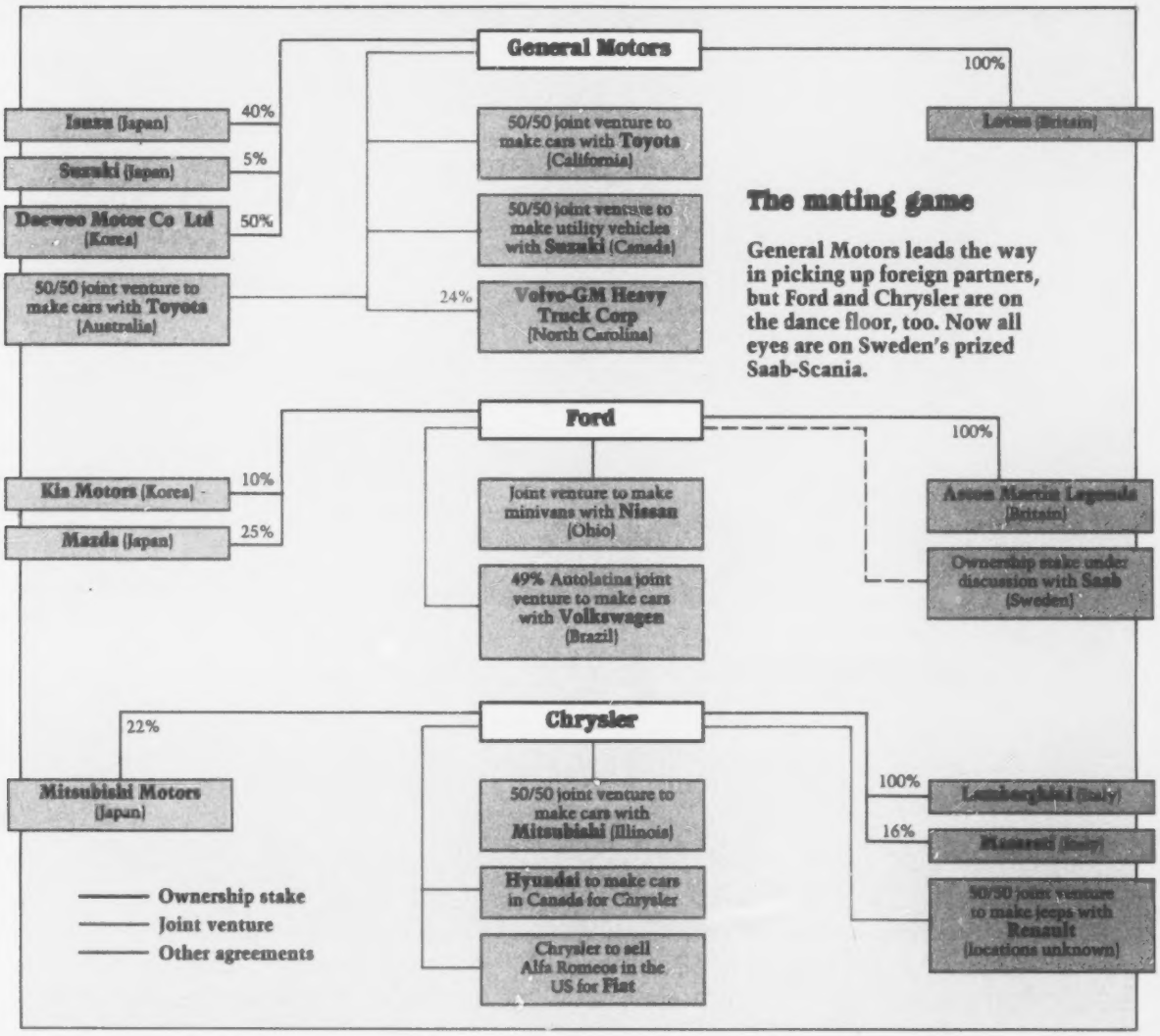
In the auto world, the most meaningful relationships tend to be stock ownership arrangements, like Ford's 25% equity stake in Japan's Mazda Motors.

Detroit's ties to Asian automakers proliferated in the mid-1980s, when GM, and to some degree Ford and Chrysler, decided to rely on the Japanese and Koreans for new small cars instead of building them in the U.S. These include GM's Geo line, Chrysler's Dodge Colt models and Ford's Festiva.

A decade ago experts were convinced that global overcapacity would drive some auto companies to the graveyard. But instead of dying, the world's auto companies are dating. By pooling resources, they improve their chances for surviving in a murderously competitive market.

Like all partnerships, those between the automakers pose some problems. One clear danger is that American automakers will let themselves become overly dependent on their foreign partners and abandon certain fields of technological know-how. GM doesn't build its own small car in the U.S., Chrysler hasn't done any serious reworking of its small cars for over a decade, and Ford's next small car will be a Mazda derivative. Should gasoline prices spurt again, Detroit will be caught once more without a technologically up-to-date small car of its own.

Some links between auto companies are more marriages of conve-


General Motors
100%
Lotus (Britain)
Isuzu (Japan)
40%
Suzuki (Japan)
5%
Daewoo Motor Co Ltd (Korea)
50%
50/50 joint venture to make cars with Toyota (Australia)
50/50 joint venture to make cars with Toyota (California)
50/50 joint venture to make utility vehicles with Suzuki (Canada)
24%
Volvo-GM Heavy Truck Corp (North Carolina)
The mating game
General Motors leads the way in picking up foreign partners, but Ford and Chrysler are on the dance floor, too. Now all eyes are on Sweden's prized Saab-Scania.
Ford
100%
Kia Motors (Korea)
10%
Mazda (Japan)
25%
Joint venture to make minivans with Nissan (Ohio)
49% Autolatina joint venture to make cars with Volkswagen (Brazil)
Aston Martin Lagonda (Britain)
Ownership talks under discussion with Saab (Sweden)
Chrysler
22%
Mitsubishi Motors (Japan)
50/50 joint venture to make cars with Mitsubishi (Illinois)
Hyundai to make cars in Canada for Chrysler
Chrysler to sell Alfa Romeos in the US for Fiat
100%
Lamborghini (Italy)
16%
Maserati (Italy)
50/50 joint venture to make jeeps with Renault (locations unknown)
Ownership stake
Joint venture
Other agreements

nience than true love. Take, for instance, the link between General Motors and Toyota, the world's third-largest auto company. GM and Toyota have a joint venture to make cars in Fremont, Calif. and Melbourne, Australia. But the two companies continue to be rivals, even within the joint ventures. When Toyota needed GM's approval to produce trucks at the Fremont plant recently, GM stalled for months. The okay eventually came, but, rumor has it, only after Toyota agreed to make price concessions on the cars the Fremont plant was building for GM.

So far, Chrysler's most important foreign tie is its ownership stake in Mitsubishi. Mitsubishi's steady supply of hundreds of thousands of six-cylinder engines kept Chrysler in the performance race the past few years. Chrysler and Mitsubishi also co-designed a sports coupe (Eclipse for Mitsubishi, Laser for Plymouth) that the two are building in a joint venture plant in Illinois.

Ford is stepping out a bit on its Japanese partner, Mazda, by romancing Nissan. Ford is spending up to $1 billion to expand a plant near Cleveland to build a minivan that is being designed by Nissan. Both companies will market the final product. Nissan and Ford also have been playing footsie in Australia, where the two companies currently exchange utility vehicles. There has been talk of a Ford-Nissan venture in Europe, as well. Will the Ford-Mazda relationship suffer? Probably so. But that's the nature of the mating game: Everybody plays the field.

Chrysler has its eyes on Europe these days. After all, Ford and GM are making more profit on their massive European car operations than they do in the U.S. (FORBES, *Mar. 20*); Chrysler has no car production in Europe. After problems developed with a joint venture with Maserati, Chrysler gave up an option to buy control of the Italian sports car maker. Chrysler did buy Lamborghini, another Italian maker of high-priced exotic cars, which may—or may not—turn out to be profitable. But don't write off Chrysler in Europe. By buying AMC two years ago, Chrysler inherited a relationship with France's Renault. The two plan to build a tiny Jeep, with Chrysler assembly in the U.S. and Renault rolling the product out on the Continent.

The Euro-mate of Chrysler's dreams, however, is Fiat. Currently, the only Chrysler-Fiat venture is a marketing agreement: Chrysler is to sell Fiat's Alfa Romeo line in the U.S. The fact is, Chrysler Chairman Lee Iacocca needs European partners, and Fiat's Giovanni Agnelli needs all the help he can get to hold off the Japanese on the Continent. Long-term alliances have been built on less. Automen aren't the first to find that making love is generally preferable to making war. ■

Mitsui and Taiyo Kobe will merge to form the world's second-largest bank. Is rival Sumitomo worried? Not very.

"The other banks feel threatened"

By Andrew Tanzer

SOTOO TATSUMI, the 65-year-old president of Sumitomo Bank, takes a puff on his Peace brand cigarette and reads a list of Japanese bank profits during the fiscal year ended last March. Note, he says, that with net earnings of $1.5 billion, up 78%, Sumitomo was the most profitable bank in Japan for the first time in three years.

He smiles and pulls out a roster of international bank profits. Sumitomo now trails its role model, Citicorp, by only a few hundred million dollars. Citicorp Chairman John Reed will know what the smile means: We're out to oust you from that top spot.

It could happen. With assets of $369 billion, Sumitomo will be the third-largest bank in the world. The merger of Taiyo Kobe and Mitsui that takes effect in April of next year will shove Sumitomo from second place in assets to third; Japan's Dai-Ichi Kangyo is number one globally in assets. But when it comes to profits, the rankings change: Citicorp, one; Sumitomo, four *(see table, p. 88)*. And Sumitomo wants to be number one in profits, not in size.

In Japan, Sumitomo is often criticized for paying too much attention to profits, for being too cold and rational; worst of all, it is called un-Japanese by some corporate clients and rival Japanese banks.

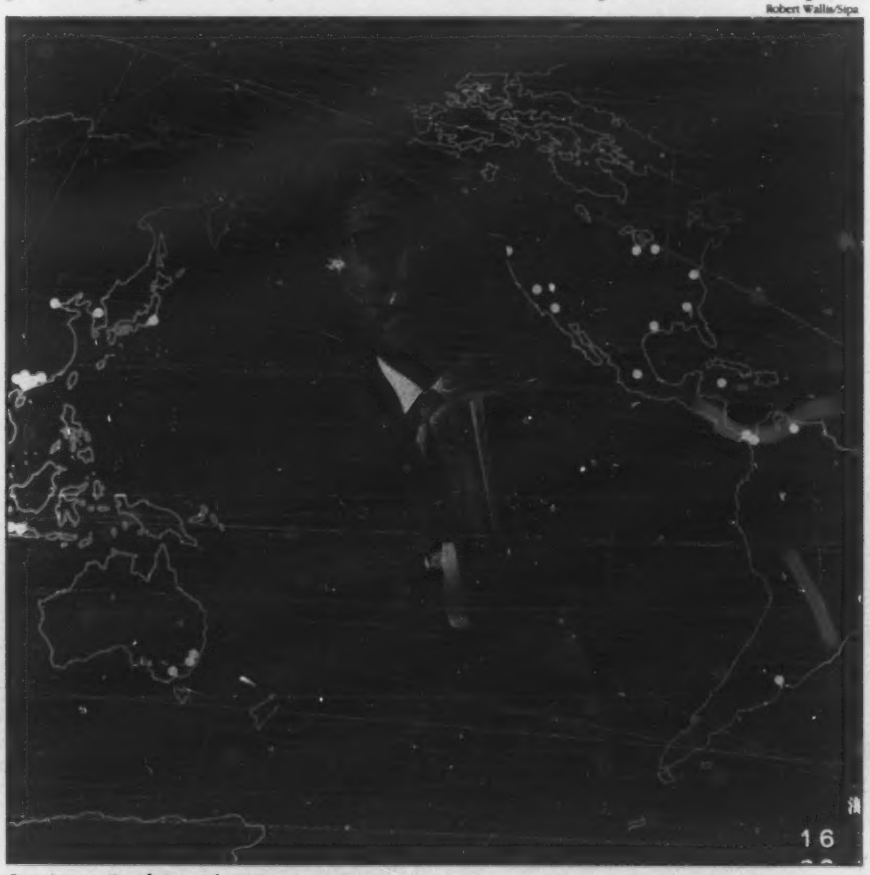
Tatsumi, in his austere Tokyo office, scoffs at such criticism. "Our profit orientation is criticized because others are jealous," he says breezily.

Jealous not only of Sumitomo's profitability but also of its ability to adapt. As in the U.S., the banking scene is changing rapidly for Japan's 13 "city," or national commercial, banks. The deregulation of interest rates on deposits, gradually implemented over the past five years, is sharply raising the cost of money. Big corporate customers have drastically reduced borrowing from their banks, instead raising cheaper money on global capital markets. The Bank for International Settlements' (BIS) risk-asset ratio regulation is forcing Japanese banks to boost their profitability in order to cover new reserve requirements.

So Sumitomo's traditionally aggressive style has been vindicated. Because it is more profitable than its rivals, it will have less trouble meeting the new, tougher capital requirements. With the decline of its bread-and-butter wholesale lending business in Japan, Sumitomo has quickly expanded retail lending and raised noninterest income from new businesses such as mergers and acquisitions and leveraged buyouts.

Its major recent move into retailing—its October 1986 merger with Heiwa Sogo Bank—was a classic example

Robert Wallis/Sipa



Sumitomo Bank President Sotoo Tatsumi
Seeking to top Citicorp in profits.

PERSONAL

A CERTAIN WORLD WALKS IN ROSSETTI

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of how determined Sumitomo can be once it has made up its mind. While other city banks were wary of the disastrous Tokyo-based savings and loan—only 2 of 103 branches were profitable—Sumitomo snapped it up. "They made the management decision to pay the price," comments an executive of another Japanese bank.

The price was high: Sumitomo wrote off $750 million of Heiwa's loans, dragging down profits for two years. Then it retrained Heiwa bankers and integrated the branch network into the Sumitomo system, returning most branches to profitability. But, most important, the acquisition enormously strengthened Sumitomo's Tokyo base (Sumitomo is headquartered in Osaka), a move of vital strategic importance.

Japan's economy is increasingly concentrated in Tokyo, which now accounts for more than half of all the bank loans and deposits in the country. The Tokyo retail market—loans to small and medium-size businesses and to individuals—is growing especially rapidly.

Because of government restrictions on opening branches and Tokyo's tight supply of office space, Sumitomo couldn't have built a strong network in the capital without an acquisition. Tatsumi calls the takeover "a historical event for us."

Because of government restrictions on opening branches and Tokyo's tight supply of office space, Sumitomo could not have built a strong network in the capital without an acquisition. Tatsumi isn't exaggerating when he calls the takeover "a historical event for us." He adds: "The other major banks feel threatened."

Sumitomo had little choice but to assault the retail market. Because of financial liberalization and the booming Tokyo Stock Exchange, listed companies can raise cheap money—often costing only 1%—by issuing stock or equity-linked bonds. During the last few years, prime customers like Matsushita Electric and NEC have raised almost all their external financing on capital markets.

Rising funding costs have also taken the profit out of lending to big corporations. Steady deregulation of interest rates is raising the rates Sumitomo must pay for deposits.

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How they stack up

Japan's colossal city banks dominate the ranks of the world's largest banks as measured by assets. But they lag in profitability.

Assets rank	Bank	Assets ($mil)	Income rank	Bank	Income ($mil)
1	Dai-Ichi Kangyo	$383,768	1	Citicorp	$1,858.0
2	Mitsui Taiyo Kobe*	380,027	2	National Westminster	1,708.3
3	Sumitomo	368,982	3	Barclays	1,616.0
4	Fuji	354,027	4	Sumitomo	1,500.0
5	Mitsubishi	346,169	5	Dai-Ichi Kangyo	1,360.1

Exchange rate, 132.2 yen = $1. *Assumes merger. Source: IBCA Ltd.

deposits has been cut from $7 million in 1985 to $70,000. Banks pay 4.15% to individual depositors on six-month "super money market certificates" launched in June, compared with the 3.2% many of the certificate holders were getting on their savings accounts before then. The proportion of Sumitomo's yen deposits being held at market interest rates has doubled to 52% in two years.

In pursuit of higher spreads on loans, Sumitomo, like so many large regional American banks, has stepped down a couple of notches to target smaller businesses. Tatsumi transferred hundreds of bankers from the head office to branches, "to strengthen the front lines for a quick response to customers." Once concerned mainly with lending to mighty industrial companies, Sumitomo now lends largely to businesses like restaurants, real estate, pachinko parlors and shop owners, with most of the loans secured on property. Over the past four years the share of loans to the retail sector has jumped from 51% to 73% of Sumitomo's portfolio.

Loans to consumers, once ignored by the big city banks, are also surging. The attraction, again, is the wide spreads: Sumitomo, for instance, charges 11% on bank card loans, 6 points above the short-term prime rate. The bank's consumer loans, including mortgages, have quadrupled since 1985, to $28 billion.

The Bank for International Settlements' rules, which require banks to raise their ratio of capital to risk-weighted assets to 8% by 1993, are forcing Japanese banks to focus more on profits and less on asset growth.

Sumitomo, like several other Japanese banks, has already reached the 8% level the easy way—by issuing billions of dollars' worth of stock and convertible bonds, and by selling off billions of dollars of stockholdings in other Japanese companies. Now Tatsumi says the bank has to push up operating profits to support a 10% annual growth in assets.

Much of the growth will come from noninterest income, in which Sumitomo holds a wide lead over the other Japanese city banks. Last year fees and commissions from such transactions as futures, options, private placement of bonds, and foreign exchange and government bond dealing jumped 60%, to $940 million.

Sumitomo has been particularly aggressive in leveraged buyouts and merger and acquisition deals in the U.S. and Europe, earning advisory and loan commitment fees in dozens of deals. The bank was, for instance, the adviser to Yamanouchi for its $395 million takeover of San Francisco-based Shaklee, the vitamin and nutritional supplements marketer. Sumitomo arranged Japanese financing for Campeau's buyout of Federated Department Stores and earned a $2.5 million loan commitment fee from Paramount in the latter's failed bid for Time Inc. Tatsumi: "We don't want to miss any chance to earn commissions overseas."

He means it. Sumitomo's investment banking ambitions are still limited by regulations at home and abroad. So, in Europe, Sumitomo underwrites corporate bond issues through its London investment banking subsidiary and Banca del Gottardo, a Swiss bank it acquired in 1984. In December 1986 Sumitomo paid $500 million for a 12.5% share of Goldman, Sachs' profits, but Federal Reserve Board restrictions preclude extensive business development between the two companies.

At home in Japan, Glass-Steagall-like restrictions keep Sumitomo out of things like securities underwriting, but Sumitomo is pushing hard for removal of these restrictions. Many Japanese bankers think in terms of competing with other Japanese bankers. Sumitomo thinks in terms of competing with the world. ■

Television may be America's favorite entertainment, but if you want to get superrich, cut yourself a hit record album. TV and movies are glamorous, but platters are green.

The magic kingdom

By Peter Newcomb

THE Forbes TOP 40 haven't beaten the Dow Jones industrial average so far this year but have certainly done well for themselves, with combined gross earnings of $872 million in 1989, up 14% from 1988. The recording performers continued to dominate the Top 40, making up nearly half the list. On top of it all for the second year running is pop phenom Michael Jackson. Jackson's business is staggering, even in "off" years like 1989. Last year we estimated that his tour would gross $75 million. Were we ever low. Jackson's Bad tour went on to gross over $125 million, playing before 4 million people.

Other recording performers include Top 40 newcomers the Rolling Stones. After landing a superfat guarantee of $70 million, the Stones rock-'n'-rolled their way into the top 10, with an estimated two-year gross of $55 million *(see story, p. 154)*.

Other vintage acts proved what's old is golden. Up 12 places from last year are the psychedelic rockers Pink Floyd, who took in an estimated $135 million from their tour of North America and Europe. The British rock group The Who, who weren't shy in saying they needed the money, should have left the U.S. at least $30 million richer after their reunion tour. And after a bout with drugs, the newly rehabilitated hard rockers Aerosmith debut on the list this year. Their multiplatinum album *Permanent Vacation* and $20-million-plus tour helped secure the 35th place on this year's roster.

While vintage acts capitalized on reunion hype, younger hard rockers were not lacking. New to the list this year is the

How we get our estimates

In assessing an entertainer's earning power, FORBES looks at the stars much as we would a company. The key question isn't: How much money was taken in? The key question is: How much pretax profit did he or she make? For instance, when Guns N' Roses goes on tour, FORBES adds up ticket sales, merchandising, domestic and foreign television rights, endorsements and sponsorships, not to mention record and film royalties. From this gets deducted immediate costs: travel, the venue's and promoter's take, agent's and manager's fixed percentages, multimillion-dollar staging and lighting as well as salaries paid to the scores of people they take on the road—technicians, stagehands, etc. Whether these groups elect to spill magnums of 1966 Château Margaux or trash $500-plus-per-night suites at the Four Seasons, FORBES does not speculate. We're not on the road with them.

hard-rocking Los Angeles band Guns N' Roses. That band's first two albums already are nearing the 15 million sales mark *(see story, p. 152)*. Another group from the same genre is Def Leppard. Their $26 million tour combined with their two multimillion selling albums *Hysteria* and *Pyromania* catapult the heavy metalists to the 23rd position. Interestingly, though our list loses 6 music-related acts, 6 more have come aboard, keeping the number of such entertainers at 19.

The silver screen contributes 11 names, just over one-quarter of the list. On top of that heap is Steven Spielberg. The bearded producer-director had a big boost in earnings over last year, thanks mostly to the release of the *E.T.* videocassette. The alltime theatrical box-office champ, *E.T.* is selling equally well on videotape and should move over 15 million copies by year-end, enriching the already superrich Spielberg by another $70 million or so.

Also in the top 10 is ear-to-ear grinning Eddie Murphy. Murphy's distributor, Paramount Pictures, loves to talk about its tent pole theory. Simply, your tent is held up by certain massive poles. For Paramount these poles include having Eddie Murphy under contract, and having sequel rights to such hits as *Beverly Hills Cop I* and *II*. Murphy vehicles that have done nearly $600 million. Says entertainment lawyer Peter Dekom, "There isn't an air conditioner in the world big enough to cool him off."

Cinema stars Mel Gibson and Bill Murray join the ranks this year. Gibson's price tag leaped considerably after his movie *Lethal Weapon*. Gibson is now asking an astounding $10 million for future pictures. Ghostbusting Bill Murray debuts in the 25th spot this year. His Christmas tale *Scrooged* fared poorly at the box office, but Murray still collected all of the estimated $8 million he was guaranteed.

Hollywood's favorite Lakers fan, Jack Nicholson, was one of the biggest gainers from last year's list, more than tripling his earnings last year. Depending on how well *Batman* does theatrically overseas, and how well *Batman* merchandising sells, Nicholson could see the $26 million paycheck we've estimated easily inflate. In the meantime, Jack's wrapping up *The Two Jakes*, the *Chinatown* sequel, a movie for which he's both star and director.

Television? Though it is replete with multimillion-dollar earners, few TV personalities reach the golden circle. Only three of this year's members are primarily in television. Perennial late-night host Johnny Carson retains his ranking at the 12th spot, and new-

Rank 1989	Rank 1988	Star/age/occupation	Gross income 1989 ($million)	Gross income 1988 ($million)	Two-year total
1	1	**Michael Jackson**/31 *pop singer*	$65	$60	$125
2	3	**Steven Spielberg**/41 *movie producer, director*	64	41	105
3	2	**William H Cosby Jr**/52 *actor, comedian, author*	60	35	95
4	8	**Mike Tyson**/23 *boxer*	26	45	71
5	6	**Charles M Schulz**/66 *cartoonist (Peanuts)*	28	32	60
6	5	**Eddie Murphy**/28 *comedian, actor*	22	35	57
7	19	**Pink Floyd** *rock group (3 members)*	25	31	56
8	—	**The Rolling Stones** *rock group (5 members)*	44	11	55
9	14	**Oprah Winfrey**/35 *TV host, producer*	30	25	55
10	13	**George Michael**/26 *pop singer*	11	36	47

Rank 1989	Rank 1988	Star/age/occupation	Gross income 1989 ($million)	Gross income 1988 ($million)	Two-year total
11	20	**Julio Iglesias**/45 *pop singer*	$22	$24	$46
12	12	**Johnny Carson**/63 *TV host, producer*	25	20	45
13	34	**Jack Nicholson**/52 *movie actor*	34	10	44
14	4	**Sylvester Stallone**/43 *actor, writer*	38	6	44
15	9	**Madonna (Louise Ciccone)**/31 *pop singer*	23	20	43
16	21	**Sugar Ray Leonard**/33 *boxer*	28	14	42
17	10	**Arnold Schwarzenegger**/42 *movie actor*	35	6	41
18	7	**Bruce Springsteen**/39 *rock singer*	6	34	40
19	16	**Bon Jovi** *rock group (5 members)*	25	15	40
20	29	**Prince (Rogers Nelson)**/31 *pop singer*	20	16	36

TOP 40

Catch a falling star

Film and vinyl continue to be profitable mediums, but their mercurialness makes entertainers' fortunes fall as fast as they fly. Witness recording artists Whitney Houston, Sting and Tina Turner. Houston splashed onto the list two years ago with a two-year take of $44 million. The young diva's first two records sold some 30 million copies combined. Since then, Houston has all but fallen into obscurity, though her next album could bring the songstress back to pop's forefront. Then there's ex-Police man Sting. The British crooner seems more interested in saving rain forests these days than in making money. He drops from the list after holding the 28th spot last year. After a hit comeback record and follow-up world tour, Tina Turner danced her way to a two-year $25 million haul. The long-legged, leather-miniskirted 49-year-old falls off the list after grabbing the 24th spot last year.

Celluloid stars Paul Hogan and Bruce Willis bow off the list. Hogan reaped nearly $40 million from two *Crocodile Dundee* movies, but the blond Aussie has decided to give his acting career a rest, at least for the moment. And after shocking many in Tinseltown by bagging $5 million for his role in *Die Hard*, Willis opted to pursue a less than glorious career in recording. Exit stage left, fellas.

Sting

Whitney Houston

Paul Hogan

Tina Turner

Bruce Willis

ly sleek Oprah Winfrey talked her way into the top 10, with a two-year take of $55 million. But nobody comes close to America's best-sweatered TV personality, Bill Cosby. *The Cosby Show* went into syndication last year to the tune of $500 million. When *Cosby* reruns started airing last October, the cigar-smoking Cosby started receiving an estimated one-third of the syndication proceeds, or about $4 million per month.

Following are short vignettes describing how this year's Top 40 made their money. These were written by Greg Burks, Stuart Flack, Ian Hersey, Steve Kichen, Evan McGlinn, Peter Newcomb, Christopher Palmeri, Claire Poole, Joe Queenan, Eric Schmuckler, Peter Slatin and Jason Zweig. Research was compiled by Cynthia Crystal; the chart on pages 154-55 by Thomas Jaffe and Peter Newcomb.

Rank 1989	Rank 1988	Star/age/occupation	—Gross income— 1989 ($million)	1988 ($million)	Two-year total
21	11	**U2** *rock group (4 members)*	$20	$13	$33
22	—	**The Who** *rock group (3 members)*	30	2	32
23	—	**Def Leppard** *rock group (5 members)*	5	25	30
24	26	**Van Halen** *rock group (4 members)*	5	22	27
25	—	**Bill Murray**/38 *movie actor*	17	9	26
26	—	**Siegfried & Roy** *illusionists*	18	8	26
27	27	**Andrew Lloyd Webber**/41 *composer*	12	14	26
28	40	**Frank Sinatra**/73 *singer, actor*	14	12	26
29	32	**Grateful Dead** *rock group (6 members)*	13	12	25
30	15	**Jim Davis**/44 *cartoonist (Garfield)*	11	14	25

Rank 1989	Rank 1988	Star/age/occupation	—Gross income— 1989 ($million)	1988 ($million)	Two-year total
31	—	**Guns N' Roses** *rock group (5 members)*	$13	$11	$24
32	22	**Kenny Rogers**/50 *country singer*	13	10	23
33	30	**Jane Fonda**/51 *actress, exercise maven*	5	18	23
34	25	**Tom Selleck**/44 *TV and movie actor*	8	14	22
35	—	**Aerosmith** *rock group (5 members)*	9	12	21
36	—	**Rod Stewart**/44 *rock singer*	9	12	21
37	36	**Michael J Fox**/28 *actor*	10	10	20
38	33	**Steve Martin**/44 *comedian, actor*	8	12	20
39	23	**Stephen King**/42 *novelist, screenwriter*	10	10	20
40	—	**Mel Gibson**/33 *movie actor*	11	9	20

TOP 40

M. Carrara/Gamma-Liaison

Michael Jackson

MICHAEL JACKSON

Pop singer: $125 million

The indisputable reigning king of pop music, Jackson rakes in the dough even in off years like 1989. Though he's recorded only two albums in the last seven years, *Bad* (1987) and *Thriller* (1982) combined have sold some 60 million copies, earning him over $100 million. But the Gloved One also makes his money from other endeavors: Three videocassettes since 1983 have sold over 2 million units; his autobiography, *Moonwalk*, sold some 425,000 copies, making it a bestseller; the Beatles music catalog, which he bought in 1985, earns him an estimated $3 million a year; TV specials make Jackson millions more. Then there's the $9 million endorsement deal with Pepsi. At age 31, Jackson now insists he is giving up touring for good to pursue movies, among other things. But FORBES figures that Jackson has still got several hot concert dates in him.

STEVEN ALLEN SPIELBERG

Director/producer: $105 million

With *Jaws*, *E.T.* and *Raiders of the Lost Ark*, Steven Spielberg established himself as the hottest director of his generation. He has had a hand in four of the top ten grossing films of all time, the three above and the second Indiana Jones epic. But the aging boy genius is having trouble generating hits these days. His recent films, such as *Empire of the Sun* in 1987, have flopped, while Amblin Entertainment, his production company, has churned out a string of undistinguished and frequently unprofitable

Terry Ashe/Gamma-Liaison

Steven Spielberg

features (e.g., *Batteries Not Included*). Spielberg's only hits since 1984 have been either surefire sequels like this summer's *Indiana Jones* installment or the creative work of a former protégé like Bob (*Back to the Future*, *Who Framed Roger Rabbit*) Zemeckis. But Spielberg's star is still rising financially. He made nearly $70 million selling *E.T.* videotapes last year, and should reap $10 million more when *Roger Rabbit* comes out on tape this fall.

WILLIAM H. COSBY JR.

Comedian/author: $95 million

In the late 1950s Bill Cosby earned $5 a night doing his stand-up routine in a cramped Philadelphia basement club called the Cellar. These days Cosby, 52, is a one-man entertainment conglomerate. He'll earn some $60 million this year from records, videos, commercial endorsements, three bestselling books and the stratospheric success of *The Cosby Show*. It singlehandedly made NBC the number one television network and had local stations competing fiercely for the privilege of paying up to $365,000 an episode for reruns. Syndication fees from the show will bring him $167 million by March 1992.

Eddie Adams/Sygma

Bill Cosby

Michael Bavtoff/Black Star

Mike Tyson

MIKE TYSON

Boxer: $71 million

The youngest heavyweight champ in history, 23-year-old "Iron Mike" Tyson got his start slugging it out in Brooklyn, on East New York's mean streets. With 33 knockouts in 37 fights, the ferocious Tyson now reigns over a pitiful division, defending his title against fighters whose nicknames—Carl "The Truth" Williams, James "Bonecrusher" Smith—are fancier than their footwork. Tyson, who has hauled down some $71 million over the past two years, may be around for quite a while, but his entourage can't make that claim: Managers and trainers come and go, and Tyson's marriage to artiste Robin Givens lasted only a little longer than his average bout.

CHARLES MONROE SCHULZ

Cartoonist: $60 million

Thanks to his beloved "Peanuts" characters, Charles (Sparky) Schulz may be the most popular artist in the world. Schulz has also raised the business of cartooning to an art form. Launched in 1950, "Peanuts" remains the number one strip in syndication,

V. Kahana/Shooting Star

Charles M. Schulz

appearing in over 2,200 newspapers. Income from the cartoon, though, pales next to licensing revenues. Charlie Brown and the gang grace some 3,000 products worldwide, selling over $1 billion at retail each year and rolling up an estimated $30 million or so a year in royalties for Schulz.

EDDIE MURPHY

Comedian/actor: $57 million

At age 28, seven blockbuster movie hits, including *48 Hours*, *Trading Places*, two *Beverly Hills Cop* movies and *Coming to America*, have made Murphy Hollywood's number one box office draw. Murphy also has a song on the record charts with "Put Your Mouth on Me," his second hit single. His credits include actor, screenwriter, producer and, after the release in November of his new movie, *Harlem Nights*, director. Murphy's first regular television stint since *Saturday Night Live*, where he started, has been put on hold: CBS turned down his sitcom, *What's Alan Watching?*, part of a multimillion-dollar contract with the cash-rich network.

PINK FLOYD

Rock group: $56 million

Over the last two years this durable, two-decade-old but still flashy band has grossed $56 million from touring and record sales, with hypnotic albums like *Dark Side of the Moon*. Band members have come and gone, but masterful lead guitarist David Gilmour has held the act together, crafting the often ominous, surrealistic songs that are the themes for their imposing stage shows. Clearly, the refurbished Floyd has thrived under Gilmour's lead. Its 1988-89 North American and European tour grossed an estimated $135 million, and was highlighted by a floating concert extravaganza in Venice, which was televised in 20 countries.

Bonnie Schiffman/Onyx

Eddie Murphy

Frank Cam[illegible]/Retna

Pink Floyd

THE ROLLING STONES

Rock group: $55 million

One of rock 'n' roll's oldest, most successful groups *(see story, p. 154)*.

OPRAH WINFREY

TV hostess/producer: $55 million

The *nouveau svelte* actress-producer-host-documentarist-restaurateur lost 67 pounds on a well-publicized diet but grossed some $30 million in 1988. The main sources for her wealth: her top-rated syndicated talk show and her Chicago production company, Harpo Productions, Inc., which produces *The Oprah Winfrey Show* and other properties, including the well-received miniseries *The Women of Brewster Place*, from the Gloria Naylor novel. Winfrey is slated to move her talk show into her own $10-million-plus television and film studio next January. In the meantime, Winfrey enjoys playing hostess a couple nights a week at her Chicago restaurant, the Eccentric.

Scott Weiner/Retna

The Rolling Stones

Steve Granitz/Retna

Oprah Winfrey

GEORGE MICHAEL

Pop singer: $47 million

Despite his trademark tight jeans and two-day-old beard, Michael established a clean reputation in the teenage heartthrob band Wham! He then parlayed his debut solo album, *Faith*, with six hit singles, into a $30-million-plus jackpot last year. Promoters in Japan are trying to get the singer to perform live shows there. His Diet Coke endorsement deal paid him an estimated $3 million.

JULIO IGLESIAS

Pop singer: $46 million

Perpetually suave, tan and smiling, the Spanish-born balladeer has carefully cultivated his image as a jet-set libido bandito. This year he will per-

Chris Cuffaro/Visages

George Michael

TOP 40

Louie Psihoyos/Matrix

Julio Iglesias

Bob Berg/Gamma-Liaison

Jack Nicholson

Steve Sands/Outline

Madonna

form some 170 concerts to packed houses from Andorra to Vancouver. His relentless touring and ability to charm audiences in six languages have pushed worldwide album sales over the staggering 120 million mark. His next act: a perfume called Only.

JOHN W. CARSON

TV host/producer: $45 million

This year Carson celebrates his 27th anniversary as host of the *Tonight Show*—at one point said to account for 17% of the NBC network's profits, and still number one in its time slot opposite late-night newcomers Pat Sajak and Arsenio Hall. Carson recently renewed his *Tonight* contract for a single year, refueling perennial retirement rumors. The competition can only hope. Carson Productions, which is still up for sale, has been somewhat less successful in developing new television shows.

JACK NICHOLSON

Movie actor: $44 million

The son of an Irish sign painter from Neptune, N.J., he worked his way up from B movies to win two Academy Awards in 1975 and 1983. This year he cashed in big on the *Batman* bonanza, collecting an estimated $26 million paycheck for his villainous scene-stealing as the Joker, and a piece of the ubiquitous merchandising as well. Latest project: starring in and directing *The Two Jakes*, the sequel to the 1974 classic, *Chinatown*.

SYLVESTER STALLONE

Actor/writer: $44 million

Sly comes with a hefty price tag these days: He's getting $25 million up front for *Rocky V*. Stallone makes other movies, and money, through his White Eagle production company. Gross licensing revenues for Rambo toys and paraphernalia exceeded $300 million, of which he takes home an estimated 8% of wholesale. His various *Rocky* and *Rambo* movies have grossed over $700 million in North America. In recent interviews, Stallone has been trying to change his all-muscle, no-brains image, and to prove he's something more than monosyllabic. Uh huh.

Charles William Bush/Sygma

Johnny Carson

Mathew Rolston/Outline

Sylvester Stallone

MADONNA LOUISE CICCONE

Pop singer: $43 million

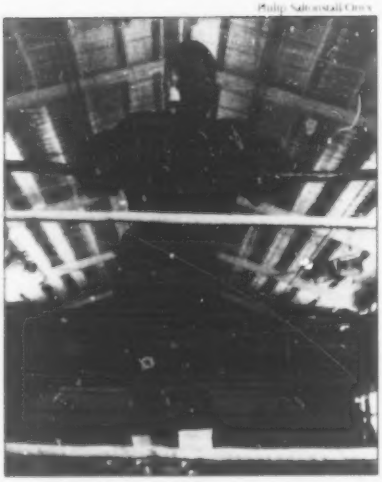
Her latest album, *Like a Prayer*, should sell over 10 million units by year-end. Madonna (yes, her real name) got $5 million to do a single two-minute spot for Pepsi, which promptly axed it in the U.S. in part because of protests from religious groups. An actress she is not: She was critically lambasted in her stage debut in David Mamet's *Speed-the-Plow* last year. But the money still rolls in for the self-proclaimed Boy Toy (also the name of one of her companies). Movies include the popular *Desperately Seeking Susan* and *Who's That Girl?*, a flop. She married photographer-punching actor Sean Penn and divorced him after four years. Madonna lately has been keeping company with Warren Beatty, her costar in the upcoming film *Dick Tracy*.

SUGAR RAY LEONARD

Boxer: $42 million

Articulate, boyishly handsome, with a quick, sharp fighting style, Leonard has become boxing's greatest moneymaker. He earned over $14 million in

Philip Saltonstall/Onyx



Sugar Ray Leonard

his recent split decision with Thomas "Hit Man" Hearns. His guarantee, at least $15 million in December when he faces Roberto Duran for the third time, will punch up his total take in his 12-year, 37-fight boxing career to more than $100 million. His investments? Conservative: Maryland real estate, tax-free municipal bonds, Treasurys and mutual funds.

ARNOLD SCHWARZENEGGER

Movie actor: $41 million

Five-time Mr. Universe and seven-time Mr. Olympia, the Austrian-born Schwarzenegger now lifts about $10 million from each film project, plus a chunk of the video profits. Since 1981 he's made almost one sweaty action epic a year, including *Conan the Barbarian, The Terminator, Commando* and *Red Heat.* His first comedy, *Twins,* out last Christmas, with Danny DeVito, grossed nearly $200 million worldwide. Besides his bodybuilding enterprises (contests, mail order), the University of Wisconsin graduate (in business) has become a real estate magnate of sorts in Santa Monica, Calif., where he has, at one time or another, owned or co-owned a lot of the buildings on the Main Street strip.

BRUCE SPRINGSTEEN

Rock singer: $40 million

A New Jersey bus driver's son—who once said he got into the rock 'n' roll business to meet girls—was relatively unknown until 1975 when his third album, *Born to Run,* catapulted him onto the covers of *Time* and *Newsweek* the same week. In 1984 *Born in the U.S.A.* his seventh and most successful record, yielded five top-ten hits—only the third album ever to do so. That album, with the tour, generated over $50 million. His songs of social protest notwithstanding, Springsteen hangs out with Wall Street types *(see story, p. 152).* Recently divorced from model/actress Julianne Phillips, he now has no trouble meeting girls.

BON JOVI

Rock group: $40 million

Bon Jovi's lead singer, teen heartthrob Jon Bon Jovi owes his huge success—over 25 million albums sold worldwide in three years—as much to careful marketing as to musical talent. As so-called heavy metal music became increasingly popular with the high school set, Bon Jovi crafted palatable hard rock for these mall-going masses. For his last two albums, the New Jersey-born singer had focus groups of teenagers preview new material and pick the songs they liked.

Neal Preston/Outline

Bon Jovi

PRINCE (ROGERS NELSON)

Pop singer: $36 million

As a new artist in 1977, Prince reportedly squeezed a record (for its time) three-album, $1 million contract out of Warner Bros. But he didn't really hit it big commercially until 1984 with his movie *Purple Rain,* which grossed some $75 million and featured a funk soundtrack that sold 14 million albums. His *Batman* soundtrack was a number one hit this summer and has so far sold almost 6 million copies worldwide. Prince is now a virtual one-man industry, with his

Greg Gorman/Gamma-Liaison

Arnold Schwarzenegger

Russell Turtak/Outline

Bruce Springsteen

Roger Sandler/Black Star

Prince

Arrow/Retna

Bono of U2

own record label, music publishing company and a $10 million recording and film studio near Minneapolis.

U2

Rock group: $33 million

Their sixth album, *The Joshua Tree*, two years ago produced two hit records and won this close-knit Irish band critical and popular acclaim, including a Grammy for album of the year and their mugs on the cover of *Time*. The follow-up double album, *Rattle and Hum*, a mishmash of new material, live versions of their old songs and other people's tunes, coincided with the release of a full-length movie of their 1987 tour. Result? Another multiplatinum album and one of the highest-grossing concert films ever. Last year U2 exercised their option to buy 10% of their record label, Island Records, which was recently sold for a reported $300 million.

THE WHO

Rock group: $32 million

The three original members of The Who—guitarist Pete Townshend, singer Roger Daltrey and bassist John Entwistle—are expected to gross $30 million or so from their 40-date, 25th-anniversary tour this summer. This reunion road show for the quintessential British rock band is the first since their 1982 "farewell" tour, but with one key difference: The money's much bigger. Another difference: The boys no longer bust up their instruments for their grand finale. No complaints, though, from the youngsters thronging the tour, many of whom weren't even born when Townshend began smashing guitars for a living.

Neal Preston/Outline

The Who

DEF LEPPARD

Rock group: $30 million

More than anyone, Def Leppard has enjoyed the fruits of MTV's success. Capitalizing on a raucous, mostly male audience, Def Leppard has established itself as one of the biggest and baddest heavy metal bands of the 1980s. Supported by glossy, high-energy music videos sporting considerable female leg and cleavage, their albums *Hysteria* and *Pyromania* have sold nearly 25 million copies combined. The band's tour last year brought in some $26 million, the nation's third-biggest draw.

VAN HALEN

Rock group: $27 million

Van Halen headlined last year's Monsters of Rock tour, the country's second-biggest road show (total gate, $27 million). Led by guitarist extraordinaire Eddie Van Halen, the band remains a staple for MTV and its heavy-metal-hungry viewers. Grinding out multiplatinum albums such as *OU812* and *5150*, Van Halen has become a dependable brand name in the ultra-loud metal music genre.

Daniela Scaramuzza/Shooting Star

Def Leppard

Deborah Feingold/Outline

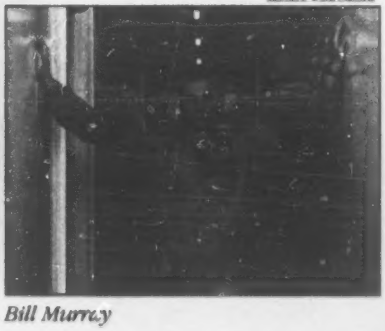
Van Halen

BILL MURRAY

Movie actor: $26 million

Like celebrity anarchists Chevy Chase, Dan Aykroyd and John Belushi, Bill Murray has mastered the art of posing as a nose-thumbing iconoclast while churning out assembly-line, post-prepubescent comedies. After a four-year stint on *Saturday Night Live*, Murray vaulted to the silver screen, where he's done everything from blockbusters *(Ghostbusters I, II)* to stink bombs *(Scrooged)*. A fine supporting player in *Tootsie* and *Little Shop of Horrors*, the balding Cubs fan parlayed his chaste talents into $26 million over the past two years. He was recently spotted on the streets of Brooklyn, where he is starring in and codirecting *Quick Change*, a comedy about inept bank robbers.

Barbara Wala/Outline



Bill Murray

Siegfried & Roy

Michael Bavtoff/Outline

Frank Sinatra

Gary Gershoff/Retna

Jerry Garcia of the Dead

SIEGFRIED & ROY

Illusionists: $26 million

Siegfried Fischbacher and Roy Horn are the ultimate Las Vegas magic show. Wearing sequined tuxes, they make an elephant disappear and frolic with toothsome chorus girl numbers. But a recent nine-month tour of Japan grossed over $60 million, and they have a $58 million contract with the new Mirage Hotel in Las Vegas. Known for their use of exotic animals, the German-born duo, naturalized last fall, live on a palatial Vegas estate with a compound for breeding their collection of rare white tigers, one of the largest in the world.

ANDREW LLOYD WEBBER

Composer: $26 million

Launched by the rock opera *Jesus Christ Superstar,* Andrew Lloyd Webber has single-handedly transformed the Broadway musical from an American staple to a British export business. He has dominated musical theater in the 1980s with a string of big empty spectacles: *Cats* has earned an estimated $60 million profit, while his reported 13% of *Phantom of the Opera*'s Broadway gross earns him $3 million a year. Other shows include the critically reviled roller-skating epic *Starlight Express* and the London hit *Aspects of Love.* His Really Useful Group is publicly traded in London (630 pence, not far from its 1989 high), but the big composing royalties are Lloyd Webber's alone, now and forever.

Theo Westenberger/Sygma

Andrew Lloyd Webber

FRANCIS ALBERT SINATRA

Singer/actor: $26 million

In the 1940s he was known as the Voice; these days some call him the Wallet. Sinatra was one of the first recording stars to have his own label, founding Reprise Records in 1961 (later sold to Warner Brothers). Nowadays Sinatra, though a bit long in the tooth and short in the voice, is crisscrossing the world with his Ultimate Event tour, featuring Sammy Davis Jr. and Liza Minnelli. Audiences still love it. The $20-million-plus that tour has racked up shows that whatever you call him, Sinatra is still the Chairman of the Board.

THE GRATEFUL DEAD

Rock group: $25 million

No sign of rigor mortis in the Grateful Dead—a quarter-century-old rock band that seems to be part social phenomenon and part religion. Deadheads, as their fans call themselves, can be seen taking notes at concerts on everything from the songs played to the clothes worn by the band members. Last year lead guitarist Jerry Garcia and his troupe did 80 concerts, including nine nights at Madison Square Garden—a record number of performances for the arena. Their latest album, *Built to Last,* is due out by Halloween.

JAMES ROBERT DAVIS

Cartoonist: $25 million

Since Jim Davis launched his "Garfield" the cat cartoon in 1978, it has become the second most widely read comic in the world (behind "Peanuts"), appearing in over 2,200 papers. The flabby blabby tabby has proved to be no slouch at licensing either: Total retail sales of Garfield products are nearing the $1 billion mark. As for Davis, an estimated $11 million in royalties this year makes him a pretty fat cat himself.

William Franklin McMahon

Jim Davis and Garfield

Eddie Malluk/Retna

Guns N' Roses

GUNS N' ROSES

Rock group: $24 million

Professional outlaw posers, Guns N' Roses specializes in calculated sexism, racism and homophobia *(see story, p. 152).* Their debut album, *Appetite for Destruction,* sold 12 million copies worldwide.

KENNY ROGERS

Country singer: $23 million

One of the first singers to successfully straddle the pop and country charts in the 1970s, Rogers remains a top earner thanks to a steady touring schedule and a keen eye for product endorsement deals. He has kept concert revenue up by focusing his 100 shows a year on smaller venues where he can charge higher ticket prices. Rogers recently completed a deal with K mart for a Christmas concert and television special promotion. Million-dollar product endorsements are nothing new for the man who three years ago negotiated a $17 million arrangement with Dole that included partial payment in Hawaiian real estate.

Dana Fineman/Sygma

Kenny Rogers

JANE FONDA

Actress, exercise maven: $23 million

Video remains the vehicle for Jane Fonda, whose "Complete Workout"—her tenth exercise tape—contributed an estimated $3 million to the fitness queen's video revenues this year. In addition to residuals from hit films like *On Golden Pond* and *China Syndrome,* Fonda's own production company is now grinding away. *Old Gringo* with Gregory Peck, an epic romance against the backdrop of the Mexican revolution, is scheduled for release Oct. 6. *Stanley and Iris,* with Robert DeNiro, is to premiere in December. Fonda collected about $3 million for her parts in those even before the cameras rolled.

TOM SELLECK

TV and movie actor: $22 million

After 162 episodes as television's *Magnum P.I.,* Selleck quit the tube for the silver screen and watched his salary rise from the $220,000 per episode of *Magnum* to an estimated $4 million for his new movie, *An Innocent Man.* But it was the Disney hit *Three Men and a Baby* (gross to date: more than $150 million) that validated Selleck as a film star. Disney's new Hollywood Pictures unit has signed him to a multiple picture deal: He will star in four features, then produce and develop other projects. One possibility: *Three Men and a Little Lady,* an inevitable sequel.

Mary Ellen Mark/Visages

Jane Fonda

Jeff Slocomb/Outline

Tom Selleck

AEROSMITH

Rock group: $21 million

After a sizzling beginning in the mid-1970s, the hard-driving, hard-rocking band disintegrated into overindulgence. Now rehabilitated and reformed, they are among the major comebacks of rock 'n' roll, having signed with Geffen Records. 'Smith's 1988 tour was one of the year's biggest, thanks in large part to a monster of an opening act named Guns N' Roses *(see p. 152).* Led by Mick Jagger clone Steven Tyler, Aerosmith has just released a new album, *Pump,* and plans to tour later this year.

RODERICK DAVID STEWART

Pop singer: $21 million

Since 1968, when he began as lead singer for the Jeff Beck Group, Stewart has been one of rock 'n' roll's most prolific artists. Fifteen solo albums, eight world tours, some 30 hit singles

Michael Montfort/Visages

Aerosmith

Ruby/Retna

Rod Stewart

Terry O'Neil/Sygma

Steve Martin

Ted Thai/Sygma

Stephen King

including "Maggie May" and his biggest, 1978's "Do Ya Think I'm Sexy," and 21 years later Stewart consistently sells out arenas and churns out smash hits. This year was no exception: His latest album, *Out of Order*, with four hit singles, has already sold over 4 million copies worldwide. Stewart's recently finished, 14-month North American tour pulled more than $50 million.

MICHAEL J. FOX

Actor: $20 million

Fox is a leading teen heartthrob thanks to the hit sitcom *Family Ties*, where he played an eager young capitalist. But the diminutive actor has yet to prove he's a consistently bankable movie star, having participated in bombs like *Light of Day* and *Bright Lights, Big City*. Despite considerable hype, the box office has been slow on his latest, the Brian DePalma Vietnam bloodbath, *Casualties of War*. But the money rolls in nonetheless: an estimated $2 million a year for Pepsi commercials and $3 million for each of two sequels to his 1985 smash *Back to the Future*. His future: more movies in a multiyear production deal with Paramount.

Theo Westenberger/Sygma

Michael J. Fox

STEVE MARTIN

Comedian/actor: $20 million

Steve Martin continues to break the rules and the bank. Not content with recycling his "wild and crazy guy" stand-up shtick, Martin takes unexpected roles, like the Cyrano-nosed fire chief in 1987's *Roxanne*. In his latest, Ron Howard's *Parenthood*, Martin gives an emotionally mature turn as a troubled father and ignored son—and he's still hilarious and unpredictable. While more standard flicks like *Dirty Rotten Scoundrels*, with Michael Caine, and *Planes, Trains and Automobiles*, with John Candy, helped bring in the $20 million Martin has earned in the last two years, movies like *Parenthood* and *Roxanne*—summer sleepers both—are what keep folks watching.

STEPHEN EDWIN KING

Writer: $20 million

In the early 1970s, after one rejection slip too many, Stephen King threw out the beginnings of his first novel. Good thing his wife retrieved it. Published in 1974, *Carrie* sold over 4 million copies. Since then, the former teacher has become the master of the macabre, with over 20 bestsellers and some 80 million copies in print, including some under a pen name so as not to flood the market. In January he signed a four-book contract said to be worth around $35 million. He writes almost every day in his 23-room, 130-year-old house in Bangor, Me.

MEL GIBSON

Movie actor: $20 million

With smoldering good looks that prompted *People* magazine to dub him "the sexiest man alive," the Australian-bred Gibson has watched his salary explode with his stardom. Following the postnuclear action thriller *Mad Max*, which got him noticed in the U.S., the success of 1987's *Lethal Weapon* catapulted Gibson's salary to above an estimated $6 million per picture, plus profits. *Lethal Weapon II*, among the summer's biggest hits, has already grossed more than $125 million. His recently formed company, Gibson Productions, is already working on its first project, the screen adaptation of Kati Marton's wartime biography, *Deadline Salonika*, with guess who in the lead.

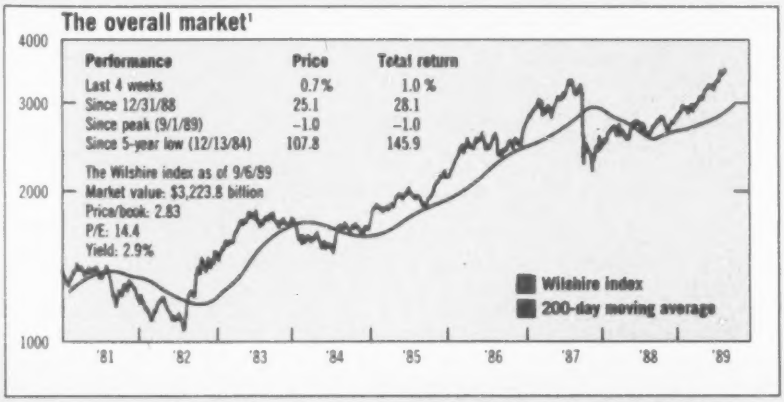
Greg Gorman/Gamma Liaison

Mel Gibson

The Forbes Wall Street Review

Edited by Eric S. Hardy

The Wilshire index and the Dow industrials are up 25% this year, while Morgan Stanley's EAFE index of foreign stocks (translated into dollars) is down 1%. Fund manager John M. Templeton still sees values in every foreign market save Japan's; back in the U.S., Templeton finds the emerging growth sector especially cheap. The recent Wall Street rally appears to have been driven by institutional investors. In the past two weeks the Avner Arbel index of stocks with heavy institutional holdings rose 2.3%, while stocks held by individuals gained just 0.8%.



Closeup on the Market

Index or investment	Price	2-week change
Wilshire index 6,000 stocks, capitalization weighted	3,424.72	1.4%
Wilshire index 6,000 stocks, equal weighted	23.04	1.8
Dow Jones industrials 30 stocks, divisor-adjusted price average	2,719.79	1.6
S&P 500 Capitalization weighted cross-section, major stocks	349.24	1.3
NYSE Capitalization weighted, all listed common stocks	194.18	1.2
Amex Capitalization weighted total return stocks, warrants	382.87	1.4
Nasdaq Capitalization weighted, all issues except warrants	468.25	1.6
Amex international market index Capitalization weighted, 50 largest ADRs	318.60	-3.5

Index or investment	Price or rate	2-week change
Europe, Australia, New Zealand and Far East[2] (EAFE) a dollar denominated capitalization weighted index	953.30	-2.5%
Institutions![3] Approximately 200 stocks with high institutional ownership	125.02	2.3
Individuals![3] Approximately 200 stocks with low institutional ownership	113.80	0.8
Technology Hambrecht & Quist index	265.51	1.1
Gold[4] (Comex spot, per ounce)	$361.10	unchanged
Yen[4] (per $U.S.)	146.66	2.0
Commodity index[4] (1967 = 100)	225.84	1.2
Oil[4] (W Texas intermediate)	$19.41	4.9
T Bills[4] (90 days)	7.78%	-51 basis points[5]
Broker loan rate[4]	10.00%	unchanged

The Best Performing Stocks

Company	Price	2-week change	P/E	Reason
Mylan Labs	14⅛	51%	30	FDA takes competitor's generic product off the market
Weltman	36½	25	25	Analysts like company's pending acquisition of Fiber Industries
Shane Group	36½	23	19	Heavy stock buying by brokerage house Mabon Nugent
Harnischfeger Inds Intl	20½	17	16	Reported strong earnings for period ending 7/31/89
Beebek Intl Ltd	16¼	15	13	Analysts are optimistic about company's toll line, Nidder Peabody issues buy recommendation

The Worst Performing Stocks

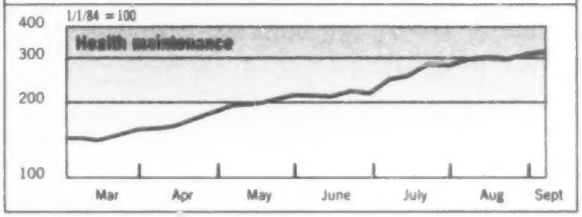
Company	Price	2-week change	P/E	Reason
Pep Boys Manny Moe & Jack	13½	-14%	19	Strong growth record stalled by weak second-quarter earnings
Prime Computer	10¾	-14	NA	JH Whitney's $20-per-share tender offer oversubscribed
American Barrick Resources	22¼	-13	41	Price of gold continues to lag because of low inflation
Wang Labs 'B'	5½	-12	NA	Announces fiscal 1989 loss, including restructuring charge of $234 million.
Meridian Bancorp	23	-10	10	Made $18-per-share bid for troubled First Pennsylvania

Note: All data for periods ending 9/6/89. Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. Stocks listed above all have market capitalizations of $500 million or more. [1]Capitalization weighted, prepared by Wilshire Associates, Santa Monica, Calif. [2]Morgan Stanley Capital International Perspective. [3]A. Arbel, Cornell University, using Ford Database from Ford Investor Services. [4]Knight-Ridder Financial Information. [5]A basis point is equal to one-hundredth of a percentage point. NA: Not applicable.

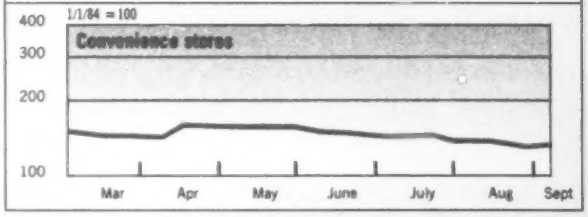
Industry Review

Edited by Gilbert Steedley

Best industry last 6 months



Worst industry last 6 months



Of the 197 industries tracked by *Investor's Daily*'s database, the health maintenance group had the best six-month price performance. (The 5 largest of the 11 companies in this group are listed below.) Sierra Health Services, which has nearly trebled since Mar. 3, 1989, was this group's outstanding stock. The prepaid health provider showed higher earnings through the first half of this year.

The airline sector was the second-strongest performer over the half year. It was boosted by the NWA deal, bids for UAL and speculation about AMR. Despite the battle for Time Inc., and Playboy Enterprises' 37% gain, magazine stocks were one of the weakest groups over the last six months. Convenience stores and specialty building products also fell out of favor.

Leading Industries

Health maintenance

Company	Relative rank EPS	Relative rank price	Recent price	6-month price change	P/E
US Healthcare	41	96	$13	52%	38
FHP Intl	91	98	41	91	21
Pacificare Health Sys	85	99	25	170	37
United Healthcare	92	98	12	60	NA
Sierra Health Svcs	92	99	7	195	NA

Transportation and airlines

Company	Relative rank EPS	Relative rank price	Recent price	6-month price change	P/E
AMR	85	93	$90	53%	10
UAL	91	99	287	141	16
Delta Air Lines	94	87	80	42	9
Texas Air	29	92	21	57	NA
British Airways Plc	46	51	33	–3	8

Food and sugar refining

Company	Relative rank EPS	Relative rank price	Recent price	6-month price change	P/E
Savannah Foods & Indu	97	95	$39	73%	15
Redpath Industries	72	87	17	48	15
Imperial Holly	71	96	27	77	6
BC Sugar Refinery	59	66	16	11	8
American Fructose Cl A	99	96	20	122	10

Lagging Industries

Convenience stores

Company	Relative rank EPS	Relative rank price	Recent price	6-month price change	P/E
Circle K	56	12	$11	–31%	51
Nati Convenience Stores	25	32	8	–14	NA
Silcorp Ltd Cl A	14	20	12	–18	NA
Dairy Mart Cl B	15	51	12	28	43
Casey's General Stores	50	10	9	–19	15

Publishing—magazines

Company	Relative rank EPS	Relative rank price	Recent price	6-month price change	P/E
Time Warner	57	76	$137	26%	28
Meredith	77	57	36	15	21
Playboy Enterprises	9	80	17	37	NA
Trimol	16	25	2	–14	9
National Lampoon	67	28	4	–21	16

Building products

Company	Relative rank EPS	Relative rank price	Recent price	6-month price change	P/E
Morgan Prods Ltd	24	26	$15	4%	46
Dallas	75	42	16	2	12
Intl Aluminum	49	29	27	–1	9
AMRE	54	9	7	4	66
Premdor	48	93	5	68	14

Industries are ranked from 1 (highest) to 197 (lowest) based on the equal-weighted price performance of the companies within the industry group. Relative EPS ranks a company's earnings-per-share growth in the last 2 quarters, the last 5 years and the stability of that growth. Relative price ranks a stock's daily price change over the last 12 months. For both measurements, stocks are compared with all other stocks and ranked on a scale of 0 to 99, with 99 the highest. Industry group performance is based on 6-month equal-weighted price changes with most recent 3-month results weighted 70%. NA: Not applicable. Note: All data for periods ending 9/1/89.

Source: Investor's Daily, Los Angeles, Calif.